

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

NOTICE AND APPLICATION OF JACKSON)
PURCHASE COOPERATIVE CORPORATION)
TO FLOW THROUGH A WHOLESALE RATE)
INCREASE FILED BEFORE THE KENTUCKY) CASE NO. 9167
PUBLIC SERVICE COMMISSION REGULA-)
TORY COMMISSION BY BIG RIVERS)
ELECTRIC CORPORATION, DOCKET)
NO. 9163)

O R D E R

On November 19, 1984, Jackson Purchase Cooperative Corporation ("Jackson Purchase"), filed an application to flow through any increase in rates granted its wholesale power supplier, Big Rivers Electric Corporation ("Big Rivers"), in Case No. 9163. Jackson Purchase did not request the approval of any additional revenues or margins in its flow through application.

Jackson Purchase is one of four member distribution cooperatives of Big Rivers. Based on the rates proposed by Big Rivers in Case No. 9163, Jackson Purchase requested an increase of \$1,268,533. The proposed increase would result in an overall increase of approximately 6.5 percent to Jackson Purchase consumers.

The matter was scheduled for hearing on March 28, 1985, at the Commission's offices in Frankfort, Kentucky. The hearing was conducted as scheduled and the Consumer Protection Division of the Attorney General's office participated as an intervenor.

In the course of its investigations in this application, the Commission made inquiries into policies and procedures employed by Jackson Purchase when procuring insurance coverage. The Commission's general finding on this issue is that Jackson Purchase is not diligent enough in pursuing the lowest possible cost of insurance coverage since it does not purchase through a bidding procedure on a regular basis and thus does not apply optimal purchasing practices in acquiring insurance.

Also, the Commission is of the opinion that Jackson Purchase's legal fees are quite high for a cooperative of this size.¹ Jackson Purchase should carefully monitor legal fees and investigate whether legal service could be provided on a more economical basis if there was some in-house legal staff. Jackson Purchase should advise the Commission in writing within 90 days from the date of this Order as to steps taken to monitor and control legal fees.

The Commission, after review of the evidence of record and being advised, is of the opinion and finds that:

1. The proposed increase by Big Rivers in Case No. 9163 was denied which will result in no increase in purchased power costs to Jackson Purchase.

2. The issue of whether Jackson Purchase should be allowed to flow through any increase in its wholesale purchased power cost allowed in Case No. 9163 is moot.

¹ Transcript of Evidence dated March 28, 1985, pp. 32-33, 42-43, 46.

3. Jackson Purchase should review and analyze its procedures for the procurement of insurance coverages and legal counsel to insure that it is receiving the maximum service necessary at the least possible cost. Moreover, the Commission will require Jackson Purchase to submit a report detailing a plan to implement such procedures. In future rate cases, Jackson Purchase should be prepared to document its insurance and legal expenditures and demonstrate its efforts to secure the best coverage for the least premium.

IT IS THEREFORE ORDERED that the application by Jackson Purchase to flow through any increase in wholesale purchased power costs be and it hereby is dismissed without prejudice.

IT IS FURTHER ORDERED that the rates currently being charged by Jackson Purchase shall remain in effect.

IT IS FURTHER ORDERED that within 90 days from the date of this Order Jackson Purchase shall submit a report detailing its plan to implement procedures to insure that it is receiving the maximum insurance and legal service necessary at the least possible cost.

Done at Frankfort, Kentucky, this 21st day of May, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Demanys
Chairman

[Signature]
Vice Chairman

[Signature]
Commissioner

ATTEST:

Secretary